



SBA Information Notice

TO: All Employees

CONTROL NO.: 5000-1093

SUBJECT: Interim Financing of Third-Party
Loans by Certified Development
Companies

EFFECTIVE: 2/11/2009

SBA Policy Notice, 5000-1064, Interim Financing of Third-Party Loans by Certified Development Companies, provided a temporary 6-month modification to the SBA policy for situations where a Certified Development Company (CDC) is providing interim financing on a loan where the CDC will be providing the second position financing. The purpose of this Notice is to inform CDCs that the period for the temporary modification has expired and that, as a result, CDCs are no longer permitted to provide interim financing on such transactions.

In Policy Notice 5000-1064, SBA stated that we stand ready to work with the industry to explore an appropriate solution to this issue. SBA did not receive any potential solutions from the industry and SBA continues to believe that an appearance of a conflict of interest exists where a CDC provides interim financing on a loan where the same CDC will be providing the second position financing. SBA's policy is stated in SOP 50 10 5(A), Lender and Development Company Loan Programs, which provides that "[a] CDC may provide interim financing but only for a project financed by another CDC." [SOP 50 10 5(A) Subpart C, Chapter 1, Paragraph IV.B.1.]

Also, under SOP 50 10 5(A), the timing for the submission of the CDC's no adverse change certification has been revised to ensure that the Agency has current information on the borrower's status. The SOP states that "[t]he CDC's finding of no adverse change must be made no earlier than 7 days prior to the submission of the closing package to the field office." [SOP 50 10 5(A), Subpart C, Chapter 6, Paragraph III.A.3.]

For further information, please contact A. B. McConnell, Jr., Chief, 504 Program Branch, at 202-205-7238 or andrew.mcconnell@sba.gov.

Grady B. Hedgespeth
Director
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EXPIRES: 2/1/2010

PAGE 1 of 1

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Must be accompanied by SBA Form 58